GOVERNMENT OF INDIA
MICRO, SMALL AND MEDIUM ENTERPRISES
LOK SABHA

UNSTARRED QUESTION NO:944
ANSWERED ON:04.03.2008
COMPETITION WITH MULTI NATIONAL COMPANIES
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Will the Minister of MICRO, SMALL AND MEDIUM ENTERPRISES be pleased to state:

(a): whether with the entry of multinational companies in products manufactured in rural areas, agro-based industries are facing stiff competition and closure of units;

(b): if so, the details thereof;

(c): the steps taken by Government to protect rural industries from closure;

(d): the details of employment provided by rural industries during each of the last three years, State and Union Territory- wise;

(e): the number of agro-based enterprises being run by the multinational companies in the vicinity of big cities during the last three years; and

(f): the effect of these companies on the small and medium industries?

Answer

MINISTER OF MICRO,SMALL & MEDIUM ENTERPRISES(SHRI MAHABIR PRASAD)

(a) to (c): With the globalisation of Indian economy, the industries in the country, including agro rural industries set up with the assistance provided through the Khadi and Village Industries Commission (KVIC), are facing greater competition in the market. The Government has adopted the policy of strengthening the agro based rural industries so that they remain competitive in the market economy and generate new job opportunities. To strengthen the cottage and rural industries and make them competitive, Government has been implementing schemes like Interest Subsidy Eligibility Certificate Scheme (ISEC) providing subsidised rates of interest on bank loans, Product Development Design Intervention and Packaging (PRODIP) Scheme for improving designs and Rural Employment Generation Programme (REGP) for setting up village industries by providing subsidy in the form of margin money. Assistance is provided to khadi and village industry units to participate in exhibitions at the national, sub- national levels, etc. for improving marketing of both khadi and village industry products. These facilities are available to all eligible cottage and rural industries. Further, `Scheme of Fund for Regeneration of Traditional Industries (SFURTI) a Central Sector scheme has been launched in 2005-06 for the development of around 100 traditional clusters in khadi, village industries

Sl.No.	Sector	Amount of FDI inflows (in Indian Rupees)	(In US Dollalrs)	Per centage of total inflows
1	Food Processing Industries	7,949.52	177.37	65.19
2	Vegetable Oils and Vanaspati	1,670.43	37.62	13.70
3	Agriculture Services	1,173.54	26.52	9.62
4	Sugar	1,005.65	22.48	8.25
5	Tea and Coffee (Processing & Warehousing Coffee & Rubber)	345.93	7.63	2.84
6	Coir	49.57	1.10	0.41
	Total	12,194.65	272.73	

and coir sector. The Scheme envisages need-based assistance for replacement of production equipment setting up of common facility centres (CFC), product development, quality improvement, improved marketing, training and capacity building, etc.

(d): The State/Union-Territory-wise details of employment provided by khadi and village industries during 2004-05, 2005-06 and 2006- 07 are given in the Annex.

(e): The Ministry of Micro, Small and Medium Enterprises does not maintain specific data on agro based enterprises run by Multi National Companies in the vicinity of big cities on a yearly basis. However, the details of Foreign Direct Investment (FDI) inflows in various sector of agro and rural ndustries during April 2004 to March 2007 as furnished by Deptt. of IPP, Ministry of Commerce & Industries, are given below:
Note: Amount includes the inflows received through SIA/FIPB route, acquisition of existing shares and Reserve Bank of India`s automatic route only

(f): The processes of liberalization and globalization, while exposing the micro and small enterprises including those based in rural

areas and agro based manufacturing enterprises to competition, also provide them with opportunities of growth by accessing external markets. The number of micro and small enterprises (including those based in rural areas) has been progressively increasing. Furthermore, the growth rate of production of micro and small enterprises, at constant prices, has been higher than the overall industrial sector consistently for the last 15 years or so